

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting June 24, 1998

REVISED APPLICATION PROCESS  
YEAR-ROUND AIR CONDITIONING/INSULATION PROGRAM

PURPOSE OF REPORT

To present a request to modify the Air-Conditioning/Insulation (ACI) Program.

DESCRIPTION

The Office of Public School Construction (OPSC) has developed a streamlined application process for the ACI Program which gives authority to districts to expend the project budget without continuous oversight by the OPSC.

Review and processing of this revised application by the OPSC and subsequent SAB approval should take no more than 60 days. Initial project approval (either as "unfunded" or with apportionment) will be based on estimated project cost and adjusted to the final SAB allowance after submittal of the final Division of the State Architect (DSA) plans and specifications (P&S). Ten percent of the initial budget will be released to the district for planning and the balance after submittal of the DSA approved P&S.

When the district presents the DSA approved P&S, the OPSC will develop a final project budget. The final budget will contain eligible amounts for construction and planning costs based on existing cost standards. The remaining budget costs for items such as DSA fees, printing, advertising and tests/inspection will be determined by formula based on historical data of projects previously funded by the SAB.

Once the final budget allowance is developed and approved by the SAB, it is then treated as a grant and provided to the district as a lump sum to complete the project. There would be no restrictions as required in the current process that specific amounts in the budget be used for specific items such as architect fees, construction management, DSA fees, tests, inspection, etc.

When the final budget is provided, the district would not be allowed additional funding for the project. To assure that the funds were expended appropriately, the OPSC would continue to conduct an audit to assure that State funds were spent for purposes of the project (see Attachments A and B). Additionally, many current SAB policies, existing forms and OPSC processing procedures will be eliminated.

The OPSC and the SAB Implementation Committee support this revised application process.

RECOMMENDATIONS

1. Approve the revised application process as outlined in this report to be applied to all projects not funded for construction (Phase C) as of June 24, 1998.
2. Provide that the final allowance shall be deemed the SAB construction cost standard for the project.
3. Direct staff to update the existing forms/handbook to be in conformance with this new policy.

## ATTACHMENT A

### AUDIT FUNCTION AND EXPENDITURE GUIDELINES BY THE OPSC AIR-CONDITIONING/INSULATION PROGRAM

#### EXPEDITURE GUIDELINES

Districts are responsible to assure that adequate funds are expended from the final budgeted allowance for the categories outlined on Form SAB 307 for planning, construction, tests and inspection. Although there is no specific requirement that funds be expended for the specific amounts shown on this form, the district is advised that funds should be expended in reasonable amounts within these categories to complete the project so it will meet the education needs of the pupils. The district should exercise caution when entering into agreements for architectural and construction management services to ensure that the fees negotiated are not excessive in relation to the remaining funds available to complete the project. Additionally, districts are encouraged, but not required, to have at least \$500,000 in errors and omissions insurance for all architectural services. General guidelines for reasonable fees for these services are shown on Attachment B.

#### **AUDIT FUNCTIONS**

A review of the expenditures reports submitted by the district for the project will focus to assure that funds provided by the State are matched by the district and spent for purposes of the project. Funds may be spent in any of the broad categories shown below to complete the project with no limitation within the final budget for each category.

##### Planning

Includes costs for architectural services, DSA fees and preliminary tests

##### Construction

Includes costs applicable for the construction work permitted under the Air-Conditioning/Insulation Program, including construction management fees, utilities, general site development and change orders necessary for the work to complete the project as approved by the SAB.

##### Testing/Inspection

As necessary to complete the project up to 35 days past the date the notice of completion (NOC) is filed for the project.

Districts are advised that expenditures for the following services or items will be deemed ineligible:

1. Costs paid for the services of a consultant to file or manage the application for the district.
2. Cost paid for legal services other than the costs for development of the EID.
3. Administrative costs of district personnel to manage the application.
4. Cost of force account labor, other than those allowed in accordance with the Public Contract Code.
5. Construction litigation cost and applicable legal fees.

## ATTACHMENT A (continued)

6. Any costs deemed by the OPSC to be outside the normal guidelines for the scope of the project. Examples are items such as vehicles, buses, salaries of district employees (other than forced labor account permitted by the Public Contract Code) or expenditures applicable to other projects.

Districts will be required to submit expenditure reports for the project within one year from the date the NOC is filed for the project. If the expenditure reports are not received within that time frame, the apportionment may be subject to rescission. The district may submit a formal request for an extension of the audit.

Once the OPSC receives the complete expenditure reports, an audit by the OPSC will be conducted within one year from that date, otherwise, the expenditure report will be accepted with no further review and the project close-out and funds adjusted accordingly.

ATTACHMENT B

REASONABLE FEES FOR ARCHITECTURAL AND  
CONSTRUCTION MANAGEMENT SERVICES

AIR-CONDITIONING/INSULATION PROGRAM

ARCHITECTURAL FEES

<u>Percentage</u>	<u>Construction Costs as determined by the OPSC</u>
12% of first	\$ 500,000
11.5% of the next	\$ 500,000
11% of the next	\$ 1,000,000
10% of the next	\$ 4,000,000
9% of the next	\$ 4,000,000
8% of construction costs in excess of	\$10,000,000

CONSTRUCTION MANAGEMENT FEES  
Combined Pre-Construction and Construction Phases

<u>Percentage</u>	<u>building cost</u>
8% of first	\$ 500,000
7.5% of the next	\$ 500,000
7% of the next	\$ 1,000,000
6% of the next	\$ 1,000,000
5% of the next	\$ 4,000,000
4% of building cost allowance in excess of	\$10,000,000

The fee determined in the schedule above should not exceed the following:

- 50 percent for pre-construction services that include the bidding phase.
- 37.5 percent for pre construction services that do not include the bidding phase.
- 50 percent for the construction phase, that does not include the bidding phase.
- 62.5 percent for the construction phase that includes the bidding phase.

General Conditions

<u>Percentage (non-graduating)</u>	<u>building cost</u>
15%	up to \$ 200,000
10%	up to \$ 500,000
8%	up to \$ 1,000,000
6.5%	up to \$ 2,000,000
5.5%	up to \$ 5,000,000